

Message Text

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PAGE 01 GENEVA 04025 151711Z
ACTION STR-07

INFO OCT-01 EUR-12 IO-13 ISO-00 STRE-00 NEA-10 AGRE-00
CEA-01 CIAE-00 COME-00 DODE-00 EB-08 FRB-03 H-01
INR-10 INT-05 L-03 LAB-04 NSAE-00 NSC-05 PA-01
CTME-00 AID-05 SS-15 ITC-01 TRSE-00 USIA-06 SP-02
SOE-02 OMB-01 DOE-11 /127 W
-----121478 160405Z /14

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FM USMISSION GENEVA
TO SECSTATE WASHDC 7240
INFO AMEMBASSY BRUSSELS

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USEEC

PASS STR ELECTRONICALLY

PASS TREASURY

E.O. 11652: N/A
TAGS: ETRD, GATT, EC, US
SUBJECT: GATT COUNCIL - DISC

REF: STATE 063023

1. AS INSTRUCTED REFTTEL, WE DISCUSSED COUNCIL TREATMENT OF DISC AND OTHER TAX PRACTICES WITH LUYTEN OF EC DAY BEFORE COUNCIL MEETING. HE SHOWED NO FLEXIBILITY AND INSISTED ON NEED TO PRESS EC PROPOSAL AT COUNCIL, BUT AGREED THAT DISCUSSION WOULD BE BRIEF AND RELATIVELY LOW KEY WITH ENTIRE ITEM BEING CARRIED OVER TO SUBSEQUENT COUNCIL MEETING. HE ALSO OFFERED TO FURNISH US WITH A COPY OF PROPOSAL U.S. HAD MADE TO EC.

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PAGE 02 GENEVA 04025 151711Z

2. AT COUNCIL EC (LUYTEN) OPENED DISCUSSION BY CALLING COUNCIL'S ATTENTION TO EC PROPOSAL MADE AT LAST COUNCIL FOR CHAIR TO UNDERTAKE A STUDY OF THE DEFINITION OF EXPORT ACTIVITY. HE SAID THAT CPS HAD HAD FOUR MONTHS IN WHICH TO STUDY PROPOSAL AND HOPED THAT THE COUNCIL COULD AGREE TO IT.

3. WE RESPONDED, NOTING THAT SINCE LAST COUNCIL MEETING U.S. ADMINISTRATION HAD SUBMITTED TAX BILL CALLING FOR PHASE-OUT OF DISC. AS PER INSTRUCTIONS REFTTEL, WE NOTED THAT BILATERAL DISCUSSIONS WITH EC HAD BEEN INITIATED, THAT WE HAD GIVEN EC A WRITTEN SUGGESTION, AND THAT WE HOPED THESE WOULD ALLOW US TO REACH A SATISFACTORY SOLUTION TO THE IMPASSE IN THE COUNCIL. WE THEREFORE RECOMMENDED THAT ITEM BE LEFT FOR A FUTURE MEETING OF THE COUNCIL IN ORDER TO ALLOW THE PARTIES MOST DIRECTLY CONCERNED TIME TO WORK OUT A SOLUTION.

4. LUYTEN EXPRESSED REGRET FOR WAY IN WHICH ITEM HAD BEEN TREATED IN THE PAST, ACKNOWLEDGED THAT U.S. HAD RECENTLY INITIATED BILATERAL DISCUSSIONS, AND RESIGNED HIMSELF TO THE CONCLUSION THAT THE ITEM COULD NOT BE SETTLED AT THIS MEETING OF THE COUNCIL.

5. CANADA (MARTIN) RECALLED THAT IT HAD SUPPORTED EC PROPOSAL, EXPRESSED DISAPPOINTMENT AT LACK OF PROGRESS AND HOPED THAT PLURILATERAL CONSULTATIONS WILL TAKE PLACE TO SOLVE ISSUE. MARTIN TOLD US PRIVATELY THAT CANADA, AS AN INTERESTED PARTY, WOULD LIKE TO BE KEPT INFORMED OF DISCUSSIONS WITH EC.

6. INDIA (KUMAR) EXPRESSED CONCERN OVER DAMAGE THAT CONTINUED IMPASSE WAS DOING TO DISPUTE SETTLEMENT LIMITED OFFICIAL USE

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PAGE 03 GENEVA 04025 151711Z

MECHANISM AND THAT ISSUE WAS NOW TAKING ON THE CHARACTERISTIC OF A BILATERAL MATTER. HE POINTED OUT THAT THE RIGHTS OF ALL CPS WERE INVOLVED AND THAT THE COUNCIL WOULD EXPECT ACTION TO FLOW FROM THE RECOMMENDATIONS OF THE PANELS. HE ALSO NOTED THAT THE MATTER WAS UNDER DISCUSSION IN OTHER FORA AND HOPED THAT SOME WAY COULD BE FOUND OUT OF IMPASSE.

7. WE AND EC ASSURED INDIANS AND CPS THAT THE BILATERAL DISCUSSIONS WERE MEANT TO FIND A WAY OUT OF THE IMPASSE SO THAT THE COUNCIL COULD ACT ON THE PANEL REPORTS. WE UNDERLINED THAT PROPOSAL U.S. HAD MADE TO EC INVOLVED A WAY THAT THE MATTER COULD EVENTUALLY BE DEALT WITH IN COUNCIL, AND THERE WAS NO INTENTION TO BY-PASS GATT. U.S. POINTED OUT THAT THE CURRENT IMPASSE DEVELOPED BECAUSE THE COUNCIL HAD NOT FOLLOWED ITS NORMAL PROCEDURES OF ADOPTING PANEL REPORTS IN THIS CASE. LUYTEN ALSO NOTED THAT EC HAS NO REPEAT NO INTENTION OF DISCUSSING THIS PROBLEM MULTILATERALLY IN THE MTN.

8. COUNCIL CHAIRMAN (YUNUS) DEFERRED ENTIRE AGENDA ITEM TO A FUTURE MEETING OF THE COUNCIL.

9. COMMENT: PERHAPS AS A RESULT OF WOLFF-DENMAN DIS-
CUSSIONS IN WASHINGTON, LUYTEN WAS MORE RESTRAINED THAN
USUAL. FOR FIRST TIME, FRANCE, NETHERLANDS AND BELGIUM
DID NOT SPEAK. END COMMENT. VANDEN HEUVEL

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